
Meeting: Audit Committee
Date: 22 September 2014
Subject: Internal Audit Progress Report
Report of: Charles Warboys, Chief Finance Officer
Summary: This report provides a progress update on the status of Internal Audit work for 2014/15.

Contact Officer: Kathy Riches, Head of Internal Audit and Risk
Public/Exempt: Public
Wards Affected: All
Function of: Audit Committee

CORPORATE IMPLICATIONS

Council Priorities:

The activities of Internal Audit are crucial to the governance arrangements of the organisation and as such are supporting all of the priorities of the Council.

Financial:

1. None directly from this report. However, sound systems assist in preventing loss of resources (by other wastage or fraud), thereby improving effectiveness and efficiency.

Legal:

2. None directly from this report.

Risk Management:

3. No risk management implications come directly from this report but the Audit Plan was produced using a risk based approach, following the completion of a detailed Audit Needs Assessment which took into account strategic and service area risks.

Staffing (including Trades Unions):

4. None directly from this report.

Equalities/Human Rights:

5. None directly from this report.

Public Health:

6. None directly from this report.

Community Safety:

7. None directly from this report.

Sustainability:

8. None directly from this report.

Procurement:

9. None directly from this report.

RECOMMENDATION:

The Committee is asked to consider and comment on the contents of the report.

Background

10. Management is responsible for the system of internal control and should set in place policies and procedures to help ensure that the system is functioning correctly. Internal Audit reviews, appraises and reports on the efficiency, effectiveness and economy of financial and other management controls.
11. The Audit Committee is the governing body charged with monitoring progress on the work of Internal Audit.
12. The Audit Committee approved the 2014/15 Audit Plan in March 2014. This report provides an update on progress made against the plan up to the end of August 2014.

Progress on the 2014/15 Internal Audit Plan

13. The initial efforts in the first part of the year have been focused on finalising the audit reviews in progress at the end of 2013/14. A substantial number of these reviews are now either finalised or at draft report stage.

Fundamental System Audits

14. The majority of the 2013/14 fundamental system reviews have now been finalised. Some draft Phase 2 opinions were reported to the June Audit Committee. The final audit opinions are set out in Appendix A. The final reports for SAP Access and Security and Asset Management have still to be issued and discussions are currently being held with managers to finalise these reviews. A detailed audit of IT DR has not yet been undertaken as progress against the implementation of a Disaster Recovery Plan has been tracked regularly throughout the year. It is planned to undertake a detailed review during 2014/15.

15. Internal Audit is currently scoping and agreeing briefs for the 2014/15 fundamental system audits and work has commenced on updating the systems documentation.
16. Discussions have been held with the external auditors to agree the approach to be adopted for the 2014/15 fundamental system reviews. As in previous years the reviews will include systems documentation and walkthrough testing, and also follow up of previous recommendations made.
17. Consideration will be given to new Government initiatives, when scoping these reviews to provide assurance that the controls surrounding the implementation of these initiatives are robust. Other internal system changes will also be considered.
18. The findings of completed Phase 1 reviews will be reported to the January Audit Committee.

Other Audit Work

19. In addition to work on the fundamental systems, work has been finalised on the following reviews:
Members' Hospitality and Gifts Follow Up– Satisfactory Progress
Officers' Hospitality and Gifts Follow Up – Unsatisfactory Progress
Teachers' Pensions – Limited assurance
20. Internal Audit has continued to be engaged in several projects, in order to provide advice and guidance on the control environment during project implementation. These include the implementation of a new framework for the supply of agency workers, and the transfer arrangements for the management of the Council's residential care homes for older people.
21. Internal Audit is increasingly involved in the audit of grant claims. A number of claims have been reviewed to date this year, including the Troubled Families Grant return, Winter Pressures Funding and the Reablement Grant return.
22. A number of other reviews are currently progressing, and these are also shown within Appendix A. The outcomes will be reported to a future committee.

National Fraud Initiative (NFI)

23. We continue to complete work around the National Fraud Initiative (NFI). This involves supplying data to the Audit Commission for matching purposes and then investigating any of the positive matches.
24. Work has commenced on the 2014/15 data exercise. Arrangements have been made to ensure Fair Processing Notices are in place. Data sets will be extracted in October 2014 and submitted via the secure web application. It is anticipated that the 2014/15 matches will be available for review from the end of January 2015.

Fraud and Special Investigations

25. Internal Audit has supported one investigation to date this year. This is still in progress. Internal Audit has also been closely involved in the review of the future approach to counter fraud activity following the implementation of the Single Fraud Investigation Service (SFIS). This is the subject of a separate report elsewhere on the agenda.

Schools

26. The rolling programme of school audit visits has continued. To date this year 2 school reports have been finalised, 1 draft report has been issued and 3 further visits have been completed with reports currently being written.

Performance Management

27. The Internal Audit Charter requires Internal Audit to report its progress on some key performance indicators. The indicators include both CBC audit activities and school audit activity.

28. **Activities for 1 April 2014 – 30 August 2014**

KPI	Definition	Current Year		Previous Year	Annual target
		Actual	Target	Actual	
KPI01	Percentage of total audit days completed.	35%	35%	36%	80%
KPI02	Percentage of the number of planned reviews completed.	23%	27%	23%	80%
KPI03	Percentage of audit reviews completed within the planned time budget, or within a 1 day tolerance.	80%	75%	80%	75%
KPI04	Time taken to respond to draft reports: Percentage of reviews where the first final draft report was returned within 10 available working days of receipt of the report from the Auditor.	58%	80%	93%	80%
KPI05	Time taken to issue a final report: Percentage of reviews where the final report was issued within 10 available working days of receipt of the response agreeing to the formal report.	100%	80%	100%	80%
KPI06	Overall customer satisfaction.	n/a	80%	85%	80%

29. Analysis of indicators:

KPI01 – As at the end of August Internal Audit has delivered a total of 436 productive audit days against a total of 1260 planned days for the year. This is on target for the period.

KPI02 – This KPI measures final reports issued to date. 23% of the planned reviews have been completed to final report stage along with milestones reached for Managed Audit work. This is slightly below target, however, as Appendix A demonstrates, a number of reviews have been completed to draft report stage, which are not reflected within this figure.

KPI03 – 80% of planned reviews have been completed either within the planned time budgets, or within a 1 day tolerance. This is above the target agreed for the year.

KPI04 - This indicator measures the time taken for Internal Audit to receive a response from the auditee to the draft report. During the period up to the end of August 58% of draft reports were responded to within the target set. Internal Audit will work proactively with service areas to improve response times.

KPI05 - This indicator measures the time taken by Internal Audit to issue the final report upon receipt of an agreed response from the auditee, and continues to be positive.

KPI06 –18 surveys have recently been sent out. The results will be analysed when they are returned.

Conclusion and Next Steps

30. Internal Audit has continued to support the drive to strengthen internal control within Central Bedfordshire Council. Work is progressing to deliver the agreed plan by the year end.
31. An update on audit progress will be presented to the next Audit Committee.

Appendices:

Appendix A – Internal Audit Plan 2014-2016

Background Papers:

None